

**TWENTIETH ANNUAL REPORT  
2001-2002**



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**VBC FERRO ALLOYS LIMITED**

(AN ISO 9002 COMPANY)

6-2-913/914, 3rd Floor, Progressive Towers.

Khairatabad, Hyderabad - 500 004,

Andhra Pradesh, INDIA.

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**Twentieth Annual General Meeting**

Date : Monday, the 30th September 2002  
 Time : 3.00 P.M.  
 Venue : Surana Udyog Auditorium of  
 The Federation of Andhra  
 Pradesh Chambers of  
 Commerce & Industry,  
 11-6-841, Red Hills,  
 HYDERABAD - 500 004

**REGISTERED OFFICE :**

6-2-913/914, Third Floor,  
 Progressive Towers, Khairatabad,  
 HYDERABAD - 500 004.  
 ANDHRA PRADESH, INDIA  
 Tel +91 40 3301199  
 Fax +91 40 3390721

**FACTORY :**

Rudraram Village, Sangareddy Taluk,  
 Medak District, ANDHRA PRADESH

**BOARD OF DIRECTORS**

<b>Dr. N. TATA RAO</b>	Chairman
<b>Dr. M.V.V.S. MURTHI, M.P.</b>	Vice Chairman
<b>V.P. RAMA RAO</b>	Director
<b>B.K. RAO</b>	Director
<b>M.N. RAO</b>	Director
<b>M.S. LAKSHMAN RAO</b>	Managing Director

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**MD. ABDUL SALEEM** Company Secretary

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**SENIOR MANAGEMENT STAFF :**

<b>N. BABU RAO</b>	Chief Executive Officer
<b>V.M. RAO</b>	Vice-President (Co-ord.)
<b>V. RAVI</b>	Sr. General Manager
<b>K.R.K. MURTHY</b>	General Manager (Co-ord.)

**AUDITORS :**

M/s. BRAHMAYYA & CO.,  
 Chartered Accountants,  
 Erramanzil Colony  
 HYDERABAD.

**BANKERS :**

BANK OF INDIA  
 Nampally Station Road,  
 HYDERABAD.

**SHARE TRANSFER AGENTS (Physical & Demat)**

VENTURE CAPITAL & CORPORATE  
 INVESTMENTS LIMITED  
 6-2-913/914, Third Floor  
 Progressive Towers, Khairatabad,  
 HYDERABAD - 500 004.  
 Tel: +91 40 3322262 / 64  
 Fax: +91 40 3324803

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.


**VBC FERRO ALLOYS LIMITED**


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**Notice of the 20th Annual General Meeting**

Notice is hereby given that the 20th Annual General Meeting of the Members of VBC Ferro Alloys Ltd, will be held on Monday, the 30th September, 2002 at 3.00 PM at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad - 500 004 to consider the following:-

**ORDINARY BUSINESS**

1. To consider, approve and adopt the Balance Sheet as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date and the report of Directors and Auditors thereon.
2. To appoint a Director in place of Sri B.K. Rao, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Dr. N. Tata Rao, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors for the financial year 2002-2003 to hold office till the conclusion of next Annual General Meeting, and fix their remuneration. M/s. Brahmayya & Company, Chartered Accountants, the retiring auditors, are eligible for reappointment.

**SPECIAL BUSINESS :**

5. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution:  
"RESOLVED THAT Shri V.P. Rama Rao who was appointed as an Additional Director of the Company with effect from 31st January 2002 under Section 260 of the Companies Act 1956 and Article 104 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, and shall be liable to retire by rotation"
6. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution:  
"RESOLVED THAT in supercession of the resolution passed at the 17th Annual General Meeting of the Company held on 30th September 1999 consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to mortgage and/or charge in addition to the mortgage / charge / hypothecation already created in such form and manner and with such ranking and at such time and on such terms as the Board of Directors of the Company may determine on all or any of the movable and immovable properties of the Company where so ever situate, present and/or future, excluding the loans obtained from the company's bankers in the ordinary course of business, for repayment of Loans or Bank Guarantees given on company's behalf or on behalf of others or other borrowings and interest there upon taken or accepted by the Company subject to a maximum of Rs.100 crores."  
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute necessary documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution"
7. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution:  
"RESOLVED THAT in supercession of the resolution passed at the Extraordinary Annual General Meeting of the Company held on 25th June 1992, consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time not withstanding that the money or monies to be borrowed together with the monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, the total amount up to which monies may be borrowed by the Board of Directors shall not at any one time exceed Rs.100 crores"

By Order of the Board

Place : Hyderabad  
Date : 31-07-2002

**M.S. LAKSHMAN RAO**  
Managing Director

**Notes :**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorised representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.
3. Copies of Annual Report will not be distributed at the venue of the General Meeting and therefore, Members are kindly requested to bring their copies of the Annual Report, which are mailed by the Company to them at their registered addresses.
4. Pursuant to Section 154 of the Companies Act, 1956 and Clause 41 of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from 28th September 2002 to 1st October 2002 (both days inclusive).
5. Members who wish to seek any further information / clarification at the meeting, on the Annual Accounts or operations of the Company are requested to send their queries at least a week in advance of the date of the Meeting, to the Registered Office of the Company.
6. Members are requested to quote Folio numbers in all correspondence.
7. Members are requested to intimate any change in their address to the Company promptly.
8. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents the Ledger Folios of such holding to enable them to consolidate all such shareholdings into a single folio.
9. Pursuant to the provisions of Section 109A of the Companies Act, 1956, Members are allowed to nominate any person to whom the shares shall be transmitted in the event of Member's death. Members are advised to submit Form 2B (enclosed) to the Share Transfer Agents M/s Ventura Capital and Corporate Investments Limited to avail this facility. Nomination facility in respect of shares held in Electronic form is also available with the Depository Participant (DP) as per the Bye-Laws and Business rules applicable to NSDL and CDSL.
10. The Company's shares continue to be listed with the Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai, The Madras Stock Exchange and The Calcutta Stock Exchange. The Company has paid Annual Listing Fee of all the Stock Exchanges where the shares are listed.
11. Members are requested to avail the facility of converting their physical shareholdings into electronic mode of holding for their own convenience coupled with increased flexibility in the transactions dealing with such shares.

**EXPLANATORY STATEMENT UNDER SEC 173(2) OF THE COMPANIES ACT, 1956.****Item No. 5 :**

Shri V.P. Rama Rao is a retired IAS Officer. He was originally appointed on the Board of our Company as a Nominee of BIFR and on his attaining the age of superannuation, BIFR has withdrawn its nomination. In order to utilize his vast knowledge and experience, the Board of Directors have at their Meeting held on 31st January 2002 appointed him as an Additional Director under the provisions of Section 260 of the Companies Act, 1956.

The Company has received a notice from a Member under Section 257(1) of the Companies Act, 1956 proposing the candidature of Sri V.P. Rama Rao, as a Director. The Board considers it to be beneficial in the interest of the company to have the guidance and advice of Shri V.P. Rama Rao and accordingly recommend his appointment as a Director.

None of the Directors of the Company is concerned or interested in the proposed resolution.

**Item No. 6 :**

The Company may be required to borrow funds from financial institutions to meet the long term financial requirements and in accordance with the resolution passed at the 18th Annual General Meeting of the Company it may also be required to give guarantees to financial institutions/ others on behalf of other Companies. To secure the loans borrowed / guarantees given, the Company may be called upon to provide security by creating charge on its movable and immovable properties. In terms of Section 293(1)(a) of the Companies Act, 1956 it is necessary for the Company to obtain approval of the Members before creation of the mortgage / charge / hypothecation in favour of the lending agencies / financial institutions.



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It is therefore proposed to obtain approval of the Members for creating such mortgages / charges / hypothecations on the movable and immovable properties of the Company.

Therefore the Board recommends approval of the above resolution by the Members.

None of the Directors of the Company is concerned or interested in the proposed resolution.

**ITEM No.7**

The Company may be required to borrow funds from financial institutions to meet the long term financial requirements and for future expansion / diversification plans. In terms of Section 293(1)(d) of the Companies Act, 1956 it is necessary for the Company to obtain approval of the Members, to borrow any money together with the monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceeding the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.

It is therefore proposed to obtain approval of the Members enabling the Company to borrow money from banks/ financial institutions or any other lending agencies.

Therefore the Board recommends approval of the above resolution by the Members.

None of the Directors of the Company are concerned or interested in the proposed resolution.



**DIRECTORS' REPORT**

Dear Shareholder,

Your Directors are glad to present herein the Company's 20th Annual Report & Audited Accounts for the Year ended 31st March, 2002.

**FINANCIAL DETAILS :**

	<b>2001-2002</b> <b>(Rs. lakhs)</b>	2000-2001 (Rs. lakhs)
Profit before interest and depreciation	<b>3,955.08</b>	3,922.63
Interest	<b>(610.65)</b>	(1,149.46)
Depreciation	<b>(849.51)</b>	(847.78)
Profit before taxation	<b>2,494.92</b>	1,925.39
Provision for taxation	<b>(200.00)</b>	(300.00)
Profit after tax	<b>2,294.92</b>	1,625.39
Other Income / (Debits)	<b>(54.41)</b>	43.62
Profit brought forward	<b>2,931.30</b>	1,262.29
Profit carried over	<b>5,171.81</b>	2,931.30

**PERFORMANCE & PROSPECTS :****PERFORMANCE :****PRODUCTION :**

	<b>2001-2002</b> <b>(MT)</b>	2000-2001 (MT)
1. Ferro Silicon	<b>12863</b>	10066
2. Ferro Chrome	<b>3596</b>	15017

Production of Ferro Chrome has come down because of shut down of one of the two furnaces for relining work. The second furnace was shut down from 19th March 2001 to 12th July 2001. The furnace has been successfully commissioned on 12th July 2001 and was running to its peak capacity till 31st March 2002. Thereafter the Company has suspended its total operations from 1st April 2002 on account of steep increase in wheeling charges.


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**OPERATIONS AND PROSPECTS :**

The Company has ceased operations from 1st April 2002 along with other Ferro Alloy Units operating in the state of Andhra Pradesh on account of steep increase in the wheeling charges from the existing Rs.0.22 per unit to Rs.1.27 per unit announced by Andhra Pradesh Electricity Regulatory Commission (APERC) vide order No. 162/2000 in OP No.510/2001 Dated : 24th March 2002.

The above increase in the wheeling charges will result in the increase of company's power bill by about Rs.130 lakhs per month i.e., Rs.1,560 lakhs annually thereby making the Company's operations totally unviable.

All the Power intensive Ferro Alloy Units have closed their operations and made a joint representation to the Government of Andhra Pradesh to re-examine the issue with regard to hike in wheeling charges and to re-consider the decision to enable the Ferro Alloy Industry to sustain the global competition and continue their operations. Other states do not have similar increases. The outcome is awaited.

The Company has taken up maintenance works and is ready to restart the operations as soon as the decision is taken by the Government of Andhra Pradesh and the revised order for supply of power is received.

**DIVIDEND :**

Your Directors regret their inability to recommend dividend for the year to conserve the available resources for restarting the operations on receipt of Order for supply of power.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :**

In compliance with the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the statement showing the particulars in relation to conservation of energy, technology absorbed and foreign exchange earning and outgoings are furnished and form part of this report.

**FIXED DEPOSITS :**

The company has not accepted any fixed deposits during the period under review pursuant to the provisions of Section 58A of the Companies Act 1956 and, as such, no amount of principal or interest was outstanding as of the Balance Sheet Date.

**PERSONNEL :**

Your Company continues to have cordial and harmonious relations between the employees and the Management and your Directors express their appreciation for the committed, valuable, sustained and untiring efforts put in by employees at all levels.

Particulars of Employees as required under Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, are not provided since none of the employees employed through out the year or part of the financial year 2001-2002 is drawing remuneration exceeding the limit specified in Section 217(2)(A) of the Companies Act, 1956 as amended from time to time.

**DIRECTORS :**

Shri M.S. Rama Rao has resigned from the Directorship of the Company with effect from 31st January 2002 on account of his pre-occupation and other commitments. The Board places on record its appreciation of the valuable services rendered by Shri M.S. Rama Rao during his tenure on the Board of Directors of the Company.

Shri V.P. Rama Rao has been appointed as an Additional Director on the Board of your Company with effect from 31st January 2002. He was earlier nominated on the Board by BIFR. The Company has received a notice from a Member under Section 257(1) of the Companies Act, 1956 proposing the candidature of Shri V.P. Rama Rao, as a Director. Board recommends for his appointment.



In accordance with the provisions of Section 255 of The Companies Act, 1956 and clause 108 of the Articles of Association of the company, Shri B.K. Rao and Dr. N. Tata Rao retire by rotation and being eligible, offer themselves for re-election. Board recommends their reelection.

#### **DIRECTOR'S RESPONSIBILITY STATEMENT :**

Pursuant to the requirements under Section 217(2AA) of the Companies Act 1956, with respect to Director's Responsibility Statement, it is hereby confirmed.

- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have adopted appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March 2002 on a 'going concern' basis

#### **CORPORATE GOVERNANCE :**

Pursuant to provisions of clause 49 of the Listing Agreements with Stock Exchanges, the Company is required to implement 'Corporate Governance' during the current financial year 2002-2003 i.e., before 31st March 2003. Since the Company is headed by a Non-Executive Chairman, 1/3rd of Board should comprise of independent directors. Excluding the Managing Director, all other Directors in the Board of our Company are Independent Directors.

It is proposed to implement Corporate Governance at the next Board Meeting proposed to be held in the third / fourth week of October 2002.

#### **CORPORATE GUARANTEE :**

In accordance with the resolution passed by the Members at the 19th Annual General Meeting of the Company held on 31st December 2001, the Company has extended Corporate Guarantee for Rs.20.70 crores to Canara Bank to secure the Performance Guarantee issued by Canara Bank in favour of Gas Authority of India Limited on behalf of Konaseema EPS Oakwell Power Limited.

#### **AUDITORS :**

M/s. Brahmayya & Co, Chartered Accountants retire as Auditors and are eligible for re-appointment. Board of Directors recommend for their re-appointment.

Auditors have made certain observations in their Report relating to non-provision for doubtful debts, non-provision of leave Encashment payable to employees, non-provision of liability for surcharge payable to AP Transco for belated payments, non-provision of liability for surcharge payable to APGPCL for belated payments and confirmation of balances.

Your directors clarify that the same are explained in Notes as follows :

Regarding non-provision of doubtful debts, the Company is making efforts for recovery of these debts and pursuing with the parties for recovery. Note No.1(h) relating to Leave Encashment, Note No.8 relating to surcharge payable to AP Transco for belated payments, Note No.9 relating to surcharge payable to APGPCL for belated payments and Note No.10 relating to confirmation of balances are self explanatory to the observations made by the Auditors.





**VBC FERRO ALLOYS LIMITED**

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**DECLARATION :**

The Company has not committed any default under the provisions of Section 58A of The Companies Act, 1956, payment of dividend, redemption of debentures and preference shares and has filed all Forms and Returns as required under the Companies Act, 1956.

**ACKNOWLEDGEMENTS :**

Your Directors thank all investors, customers, vendors, banks, regulatory and governmental authorities for their continued support. Your Directors place on record their sincere appreciation for the continued support and contribution made by the employees through their dedication, hardwork and commitment.

We also acknowledge the support extended by Financial Institutions, APGPCL, AP Transco, and Government Agencies at all levels.

Your Directors look forward to the future with confidence.

For and on behalf of the Board

Place : Hyderabad  
Date : 31-07-2002

**M.S. LAKSHMAN RAO**  
Managing Director

**Dr. M.V.V.S. MURTHI**  
Vice Chairman





#### ADDITIONAL SHARE HOLDERS INFORMATION :

##### SHIFTING OF SECURITIES FROM 'Z' TO 'B2' GROUP

The Company's shares which are being traded on The Stock Exchange, Mumbai were earlier categorised under 'Z' group on account of investor complaints lodged with the Stock Exchange due to delay in redemption of Debentures. The Company has redeemed all the Debentures and is effectively complying with all the provisions of the Listing Agreements with the Stock Exchanges continuously. In view of this the 'Z' Group Review Committee in its meeting held on 20th June 2002 has shifted our Company from 'Z' to 'B2' Category.

##### DEMATERIALISATION OF SHARES AND LIQUIDITY

Trading of securities of your Company has been made compulsorily in dematerialised form under rolling settlement with effect from 2nd January 2002 and are available for trading under both the Depository Systems in India - NSDL (National Securities Depository Limited) and CDSL (Central Depository Services Limited). Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE114E01013.

As on 31st July 2002, a total of 16,67,470 shares of the Company, which form 41.23% of the total Share Capital, stand dematerialised. The processing aspects with respect to requests received for dematerialisation are normally completed within 3 working days from the date of receipt of request.

##### SIMULTANEOUS DEMATERIALISATION OF SHARES SENT FOR TRANSFER

The Company provides facility of simultaneous transfer and dematerialisation of Equity Shares. Upon receipt of the share certificates for transfer and upon completion of the due process, the investor is intimated through an option letter about the dematerialisation option. If the investor so desires he/she may send his/her dematerialisation request within a period of 15 days from the date of option letter failing which share certificates will be dispatched to the investor. The investors who wish to exercise the option of dematerialisation of their shares are required to submit Dematerialisation Request Form (DRF) duly filled along with the original option letter to the Depository Participant (DP).

For guidance on Depository services, share holders may write to the Company or to our Registrars and Share Transfer Agents.

##### INTERNAL CONTROL SYSTEM

The Company has sound internal control system, which ensures that all the assets are protected against loss from unauthorized use and all the transactions are recorded and reported correctly.

The internal control system is supplemented by an extensive programme of internal audits, and reviews by management. The internal control systems are designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

Further the reliance of all the internal control functions and its entire gamut of activities are covered by independent audit conducted by separate internal auditors whose findings are reviewed regularly by the top management of the Company.

##### DATES AND VENUE OF PREVIOUS THREE ANNUAL GENERAL MEETINGS

1. 19th Annual General Meeting of the Company was held on 31st December 2001 at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI).
2. 18th Annual General Meeting of the Company was held on 30th November 2000 at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI).
3. 17th Annual General Meeting of the Company was held on 30th September 1999 at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI).